



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING




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SUPERINTENDENT OF  
PUBLIC INSTRUCTION

May 24, 2007

**MEMORANDUM**

**TO:** Local and Intermediate School District Superintendents and Public School Academy Directors

**FROM:** Mike Flanagan, Superintendent of Public Instruction 

**SUBJECT:** Qualified Zone Academy Bond (QZAB) Program

The Michigan Department of Education is pleased to announce the availability of a bond program that may benefit eligible local and intermediate school districts as well as public school academies. The Qualified Zone Academy Bond (QZAB) Program is a federal program to help strengthen schools serving large concentrations of low-income families. Eligible public schools can take advantage of this program to finance the equipping and/or renovating of school facilities on an interest-free basis through the allocation of tax credits. Over \$24 million of financing will be issued during calendar years 2007 and 2008.

Created by the Taxpayer Relief Act of 1997, QZABs are obligations issued by state or local governments to renovate and improve certain eligible public schools. These obligations may be used on behalf of schools or programs that meet a few eligibility criteria:

- The school is located in an empowerment zone or an enterprise community, or has at least 35 percent of its students eligible for free or reduced-cost lunches under the National School Lunch Act.
- An eligible school must have an education program designed in cooperation with business and receive a private business contribution that is not less than 10 percent of the proceeds of the bond.
- An eligible school must have an education plan that is approved by its school district, and its students must be subject to the same standards and assessments as other students in the district.
- An eligible school must spend 10 percent of its QZAB allocation within 6 months and 95 percent within 5 years.

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- Additionally, an allocation cap of \$2 million for each building and \$5 million for the district will be applied. The allocations will be distributed on a "first come, first serve" basis. If funds remain after 9 months of the announcement of available allocations, districts may request a waiver to exceed the \$5 million cap.

The QZAB is a loan that must be repaid within a specified time. The rate of the tax credit and the maximum term of the bond are determined by the United States Treasury Department. The tax credit mechanism eliminates the cost of interest only, not the bond principal.

For more information about the federal QZAB Program, visit:  
[www.ed.gov/programs/qualifiedzone/index.html](http://www.ed.gov/programs/qualifiedzone/index.html)

To obtain an application for a QZAB allocation, visit the Michigan Department of Education's website at [www.michigan.gov/mde](http://www.michigan.gov/mde) under Qualified Zone Academy Bond, or contact Andy DeYoung in Grants Coordination & School Support at (517) 373-1806.